

## CIA OPERATIONS CENTER

NEWS SERVICE NO32

Date. 27 June

Item No. 1

Ref. No.

DISTRIBUTION II

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SOVIET DEFENSE  
BY DONALD M. ROTHBERG

WASHINGTON (AP) -- SOVIET DEFENSE SPENDING WILL CONTINUE TO GROW OVER THE NEXT FIVE YEARS REGARDLESS OF WHETHER THE UNITED STATES AND RUSSIA AGREE TO A NEW STRATEGIC ARMS LIMITATION TREATY, SAYS A CIA STUDY PREPARED FOR CONGRESS.

THE 14-PAGE REPORT SUBMITTED TO THE JOINT ECONOMIC COMMITTEE AND MADE PUBLIC TODAY SAID THE SALT II AGREEMENT NOW BEING NEGOTIATED WOULD NOT SIGNIFICANTLY ALTER SOVIET DEFENSE OUTLAYS.

"SUCH AN AGREEMENT WOULD PROBABLY REDUCE THE RATE OF GROWTH OF TOTAL SOVIET DEFENSE SPENDING BY ONLY ABOUT 0.2 OF A PERCENTAGE POINT PER YEAR," THE REPORT SAID.

ADMINISTRATION OFFICIALS HAVE SAID THEY HOPE TO CONCLUDE A SALT II AGREEMENT THIS YEAR AND SUBMIT IT TO THE SENATE NEXT YEAR FOR APPROVAL.

THE CIA SAID THE SOVIET GOVERNMENT IS CONCERNED ABOUT THE ECONOMY BUT "THERE IS NO INDICATION THAT ECONOMIC PROBLEMS ARE CAUSING MAJOR CHANGES IN DEFENSE POLICY."

IF THE SOVIETS DID ALTER MILITARY PLANS TO ADJUST TO DOMESTIC ECONOMIC CONDITIONS "THE OVERALL RATE OF GROWTH OF DEFENSE SPENDING OVER THE FIVE YEARS OR SO PROBABLY WOULD SLOW ONLY marginally," THE INTELLIGENCE REPORT SAID.

"FOR THE NEXT TWO OR THREE YEARS, GROWTH IN DEFENSE SPENDING PROBABLY WILL BE SLIGHTLY LOWER THAN THE LONG-RUN AVERAGE, AS THE FOURTH-GENERATION ICBM (INTERCONTINENTAL BALLISTIC MISSILE) AND CURRENT FIGHTER AIRCRAFT AND D-CLASS BALLISTIC MISSILE SUBMARINE PROGRAMS WIND DOWN," THE STUDY CONTINUED.

"THIS MARGINAL REDUCTION IN THE GROWTH OF DEFENSE SPENDING IS NOT RELATED DIRECTLY TO ECONOMIC DIFFICULTIES ....

"DURING THE EARLY 1980S, WE EXPECT THE SOVIETS TO BEGIN TESTING AND DEPLOYING A NUMBER OF THE NEW WEAPONS SYSTEMS NOW UNDER DEVELOPMENT -- INCLUDING THE NEXT GENERATION OF STRATEGIC MISSILES, NEW AIRCRAFT AND NEW BALLISTIC MISSILE AND ATTACK SUBMARINES.

"THIS PROBABLY WILL CAUSE THE ANNUAL RATE OF GROWTH IN DEFENSE SPENDING TO INCREASE TO A PACE MORE IN KEEPING WITH THE LONG-TERM GROWTH TREND OF 4 TO 5 PERCENT A YEAR."

*Long Co.*

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Date. 26 June

Item No. 2

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WASHINGTON (UPI) - THE CIA SAYS THE SOVIETS HAVE UNDERTAKEN MASSIVE INCREASES IN THEIR SALES OF MILITARY HARDWARE TO THIRD WORLD COUNTRIES AND HAVE FOUND IT A GOOD WAY TO STEP UP HARD CURRENCY EARNINGS.

THE UNCLASSIFIED STUDY, BY THE CIA'S NATIONAL FOREIGN ASSESSMENT CENTER, SAID SOVIET TRADE WITH THE LESS DEVELOPED COUNTRIES REACHED A RECORD TWO-WAY TOTAL OF \$12.2 BILLION IN 1977. THE TOTAL SOVIET TRADE WITH SIMILAR COUNTRIES IN 1969 WAS \$2.8 BILLION.

MUCH OF THE INCREASE, ACCORDING TO THE CIA STUDY, "RESULTED FROM MASSIVE INCREASES IN MILITARY HARDWARE," ESPECIALLY IN THE MIDDLE EAST AND AFRICA.